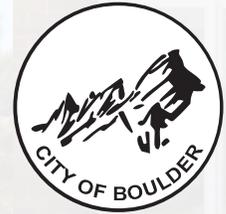


Development-Related Impact Fees and Excise Taxes Information Session

Aug. 31, 2016



What brought you here tonight?

- I'd like to learn more about Development-Related Impact Fees and Excise Taxes
- I'm interested in **Capital Facility Impact Fees**
- I'm interested in **Affordable Housing Linkage Fee**
- I'm interested in **Multimodal Transportation Funding**

2016 Update - Project Timeline

Sept. 2015 - January 2016

February - April

May - September

October 2016 - into 2017

Phase 1 -
Background



Phase 2 -
Analysis



Phase 3 -
Decision



Phase 4 -
Implement

We are here

Development Fees 101

Policy on Development Paying Its Own Way

The City of Boulder has a policy that new growth should pay its own way, which is articulated in the Boulder Valley Comprehensive Plan (BVCP).

1.30 Growth to Pay Fair Share of New Facility Costs

... When permitting additional development or redevelopment, the city will consider whether public facilities and services are adequate to reasonably maintain current levels of service or service standards given the impacts of such additional development...

Growth will be expected to pay its own way, with the requirement that new development pay the cost of providing needed facilities and an equitable share of services including affordable housing, and to mitigate negative impacts such as those to the transportation system.

What is an Impact Fee or an Excise Tax?

An impact fee (or capital facility impact fee, or development impact fee) or excise taxes (or Development Excise Taxes or DET) are **one-time charges** to fund capital infrastructure improvements necessitated by new development.

Studies and Reports

To establish legally supportable fees and taxes, the city conducts studies to establish the connection between the need and the fee levels.

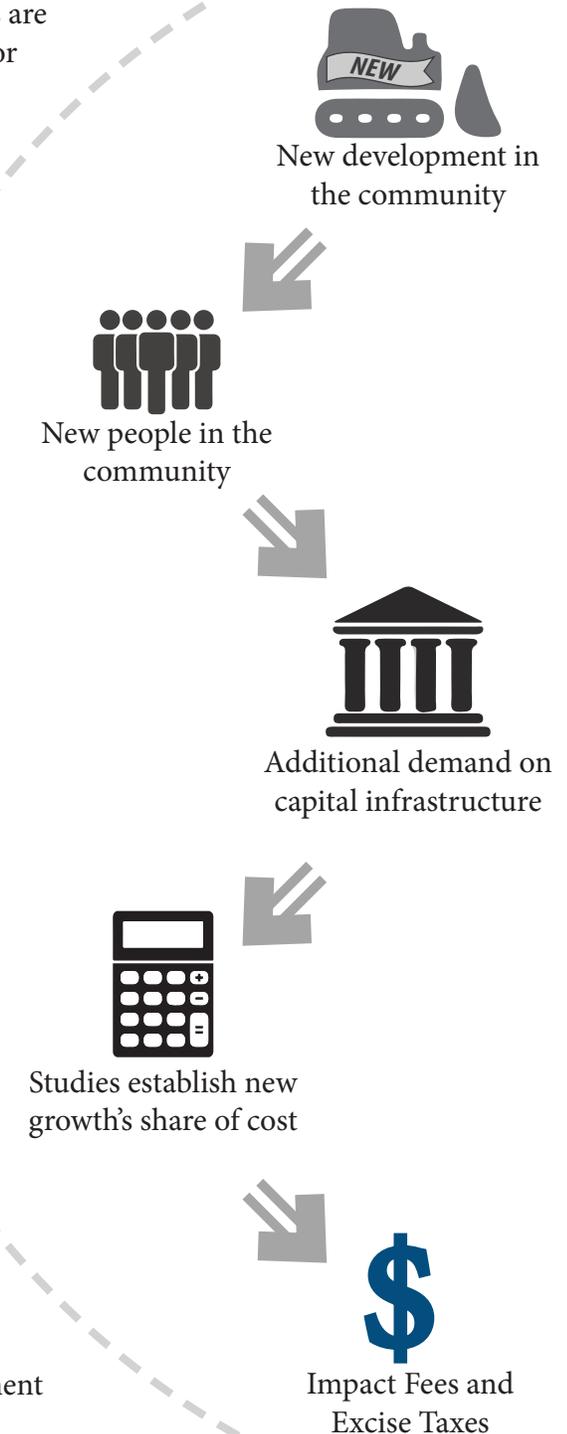
Updating the studies

Typically, impact fee studies look out five to ten years, with the expectation that fees will be periodically updated (e.g., every 6 - 10 years).

 **Gather background data** - including capital infrastructure needs based on departmental master plans and facility plans.

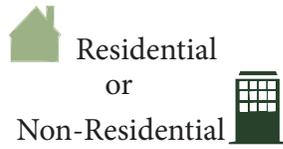
 **Update demographic data** - including population and employment numbers based on BVCP projections.

 **Calculate the fees/taxes** using accepted allocation methodology to determine appropriate fee levels.



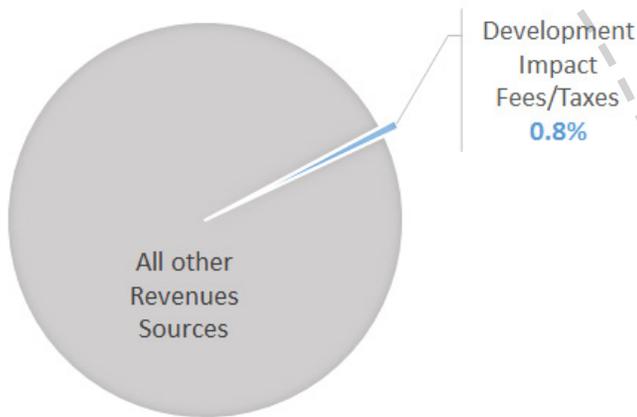
When are these fees/taxes charged?

Impact fees and excise taxes are charged through the permit process on new square footage

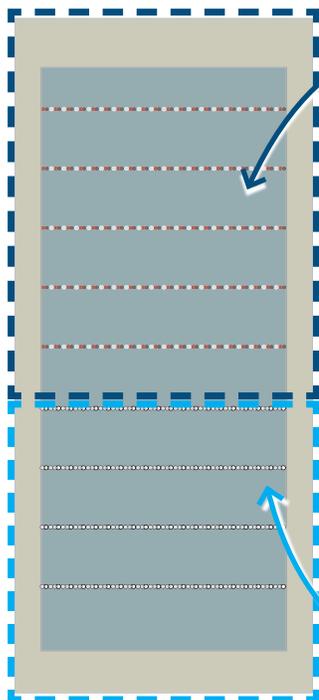


How much money are we talking?

2016 estimated city revenues



Example: The city plans to reconstruct and expand Scott Carpenter pool from 6 to 10 lanes.



Rebuilding the original six lanes will be paid for by the community using **sales tax**.

New four lanes that are needed to accommodate the additional demand generated by new growth will be paid for using **impact fees**.

Current City Development Excise Taxes & Impact Fees

- 
Affordable Housing Commercial Linkage Fee 

Used to fund additional affordable housing.
- 
Fire Impact Fee 

Used to fund fire station facilities, land and fire apparatus.
- 
Housing Excise Tax 

Used to fund the construction, rehabilitation and acquisition of affordable housing.
- 
Human Services Impact Fee 

Used to fund senior center facilities and the Children, Youth and Family Center facility.
- 
Library Impact Fee 

Used to fund library facilities and materials in the library's collections.
- 
Municipal Facilities Impact Fee 

Used to fund additional municipal building space.
- 
Park Land Development Excise Tax 

Used to fund park land purchases.
- 
Parks & Recreation Impact Fee 

Used to fund outdoor parks, recreation center and pool facilities, and support facilities.
- 
Police Impact Fee 

Used to fund police station facilities and communication center space.
- 
Transportation Excise Tax 

Used to fund transportation system capital improvements and enhancements such as road improvements, intersections, bike lanes, underpasses and pedestrian enhancements.

Capital Facility Impact Fees

DEFINE THE SCOPE

ANALYSIS

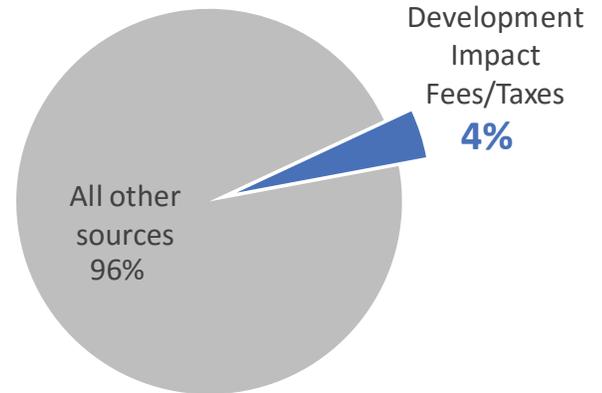


Scope:

This update will include all of the components of the Capital Facility Impact Fee (Fire, Human Services, Library, Municipal Facilities, Parks & Recreation, and Police). This update will look at the current and projected development and capital facility needs.

-  **Gather background data** - including capital infrastructure needs based on departmental master plans and facility plans, and preparation of a land use assumptions memo.
-  **Update demographic data** - including population and employment numbers based on BVCP projections.
-  **Calculate the fees/taxes** using accepted allocation methodology to determine appropriate fee levels.

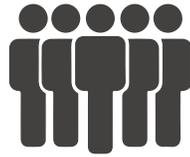
2017 Draft CIP Expenditure Sources



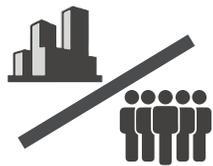
Analysis:



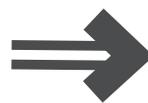
Updated list of capital and facility needs
Based on departmental Master Plans and facility plans



Updated population and employment numbers
Based on BVCP projections



Level-of-service needs per person



Proposed Fees and Draft Reports

Methodologies:



Cost Recovery (past)

Fee level determined for existing facilities that are oversized to accommodate future growth.



Incremental Expansion (present)

Fee level determined by formula-based approach, documenting level-of-service with both quantitative and qualitative measures



Plan-Based (future)

Fee level determined by specific planned capital projects where non-growth related funding is identified.

What do the updated fees look like?

The proposed fees are applied to a hypothetical development project

Residential

Existing

Total Development Cost Estimate

\$1,200,000.00

Total Capital Facilities
Impact Fees

1.3%

Total Permitting &
Development
Fees/Taxes

Proposed Update

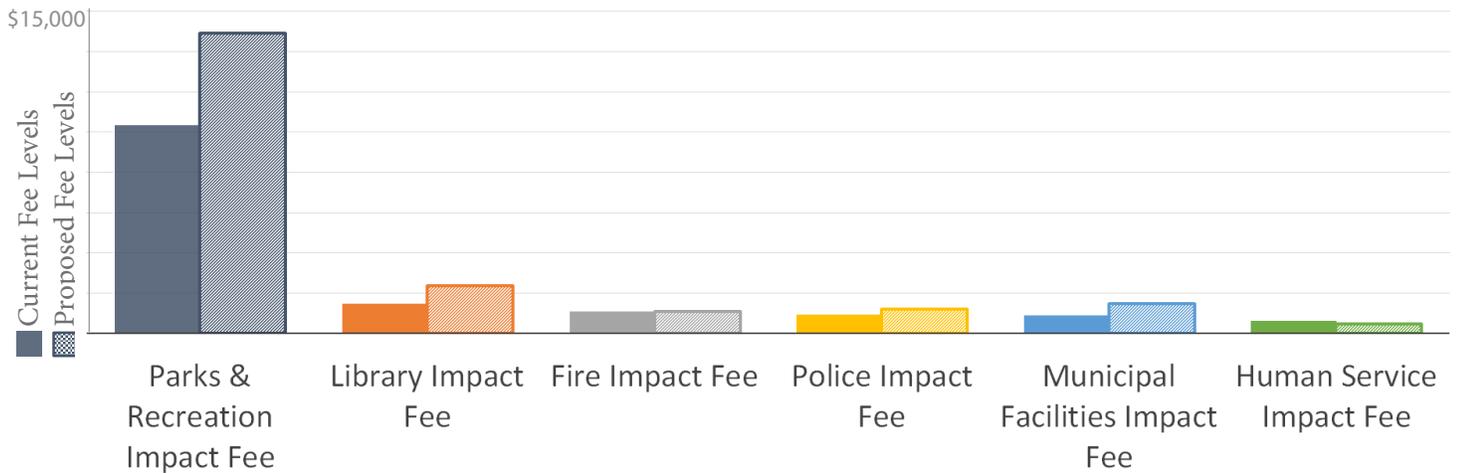
Total Development Cost Estimate

\$1,200,000.00

Total Capital Facilities
Impact Fees

1.5%

Total Permitting &
Development
Fees/Taxes



Non-Residential

Existing

Total Development Cost Estimate

\$18,500,000.00

Total Capital Facilities
Impact Fees

0.3%

Total Permitting &
Development
Fees/Taxes

Proposed Update

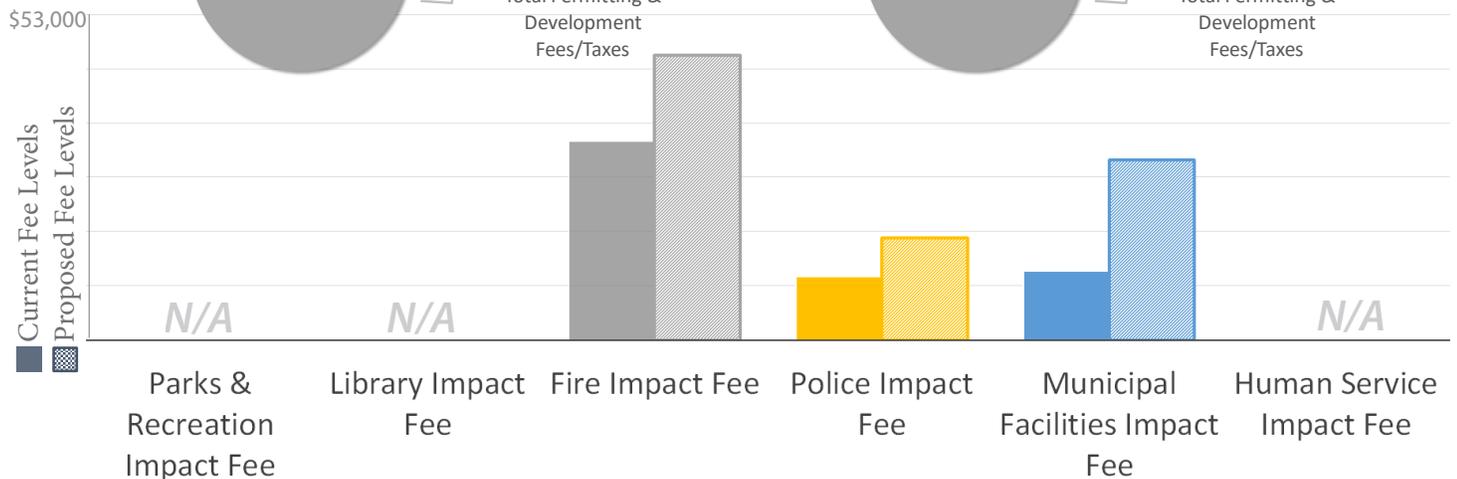
Total Development Cost Estimate

\$18,500,000.00

Total Capital Facilities
Impact Fees

0.6%

Total Permitting &
Development
Fees/Taxes



Multimodal Transportation Funding

DEFINE THE SCOPE

ANALYSIS

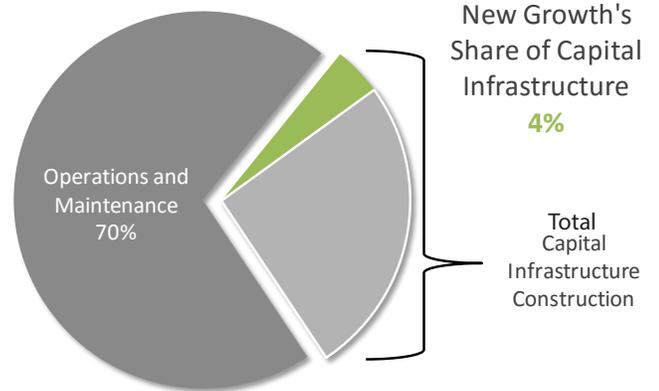


Scope:

The purpose of the study is to develop a multimodal transportation impact fee and/or update the existing excise tax to provide capital infrastructure improvements.

-  **Gather background data** - including capital infrastructure needs based on the transportation master plan, legal guidelines and best practices on next generation approaches
-  **Update demographic data** - including population and employment numbers based on BVCP projections.
-  **Calculate the fees/taxes** using accepted allocation methodology to determine appropriate fee levels.

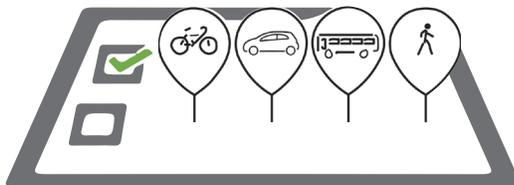
Transportation Spending Average from 2012 to 2016 (estimated)



Analysis:

Traditional Approach vs Next Generation Approach

- | | |
|---|--|
| <ul style="list-style-type: none"> • Based on moving vehicles and adding capacity • For growing communities focused on expanding infrastructure • Focus on maintenance of level-of-service (LOS) standards • Growth pays for capital improvements necessary to maintain LOS | <ul style="list-style-type: none"> • Based on moving people • For mature communities, focused on more efficient use of existing infrastructure • Plan based approach focused on needed capital improvements based on multimodal policy objectives • Growth pays for their share of planned capital improvements based on population and employment growth and added vehicle trips |
|---|--|



Capital Improvements Plan and Action Plan enhancements based on the Transportation Master Plan



Factor out non-growth related cost (this will be paid by other revenues)



New growth's share of capital improvements

DEVELOP OPTIONS

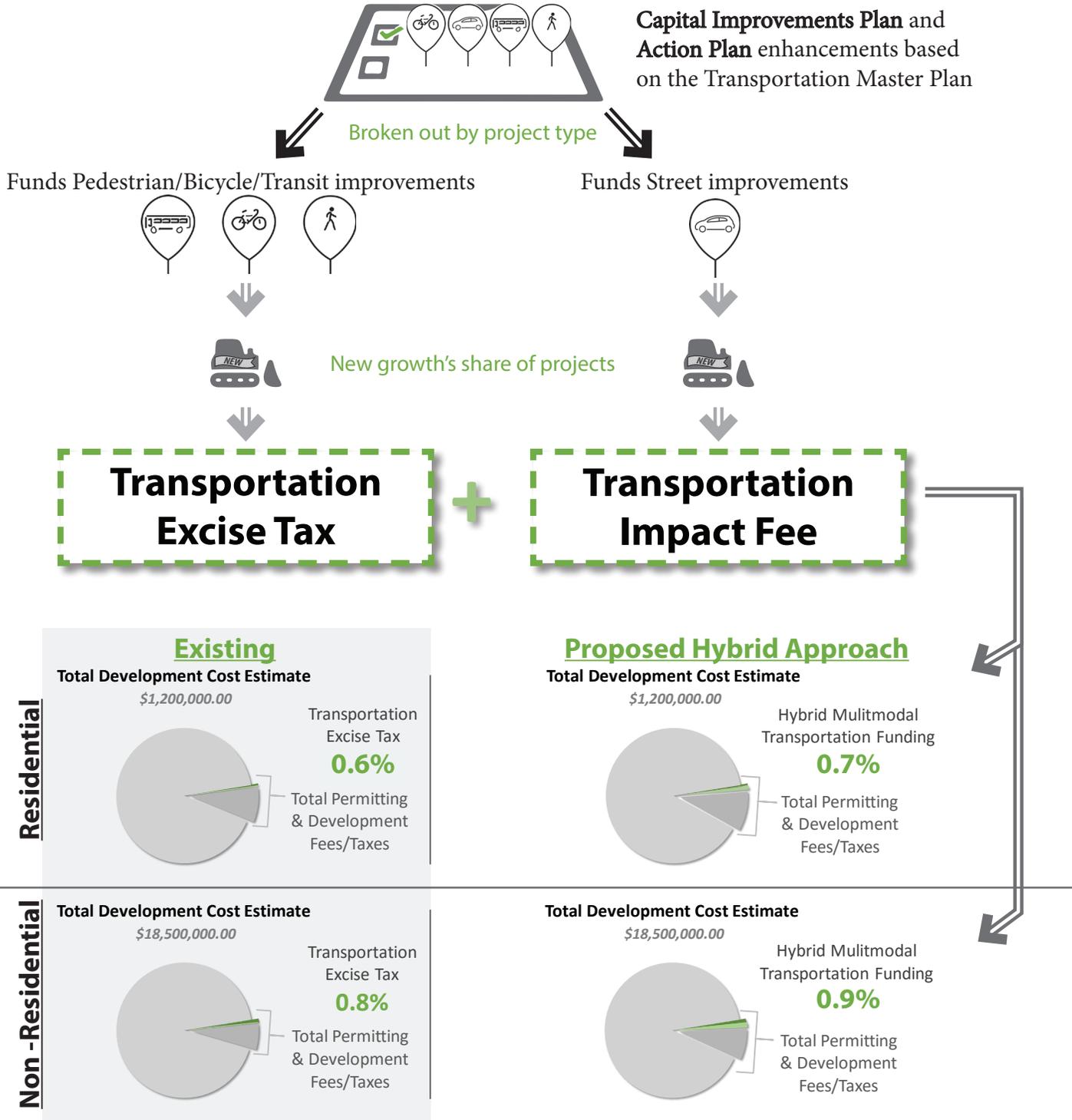
- A
- B
- C

On June 14, City Council was presented with three options for continued analysis to help us get to a final set of fee scenarios. These options were:

- Option A: Development Excise Tax
- Option B: New Impact Fee
- Option C: Hybrid Excise Tax and Impact Fee

➔ What does the hybrid approach look like?

City Council asked staff to return with further analysis of Option C, the hybrid approach that adds a new Transportation Impact Fee to the current Transportation Development Excise Tax.



Affordable Housing Commercial Linkage Fee

DEFINE THE SCOPE

ANALYSIS



Scope:

The purpose of this study is to update the existing linkage fee study (2009) using a jobs housing nexus analysis.

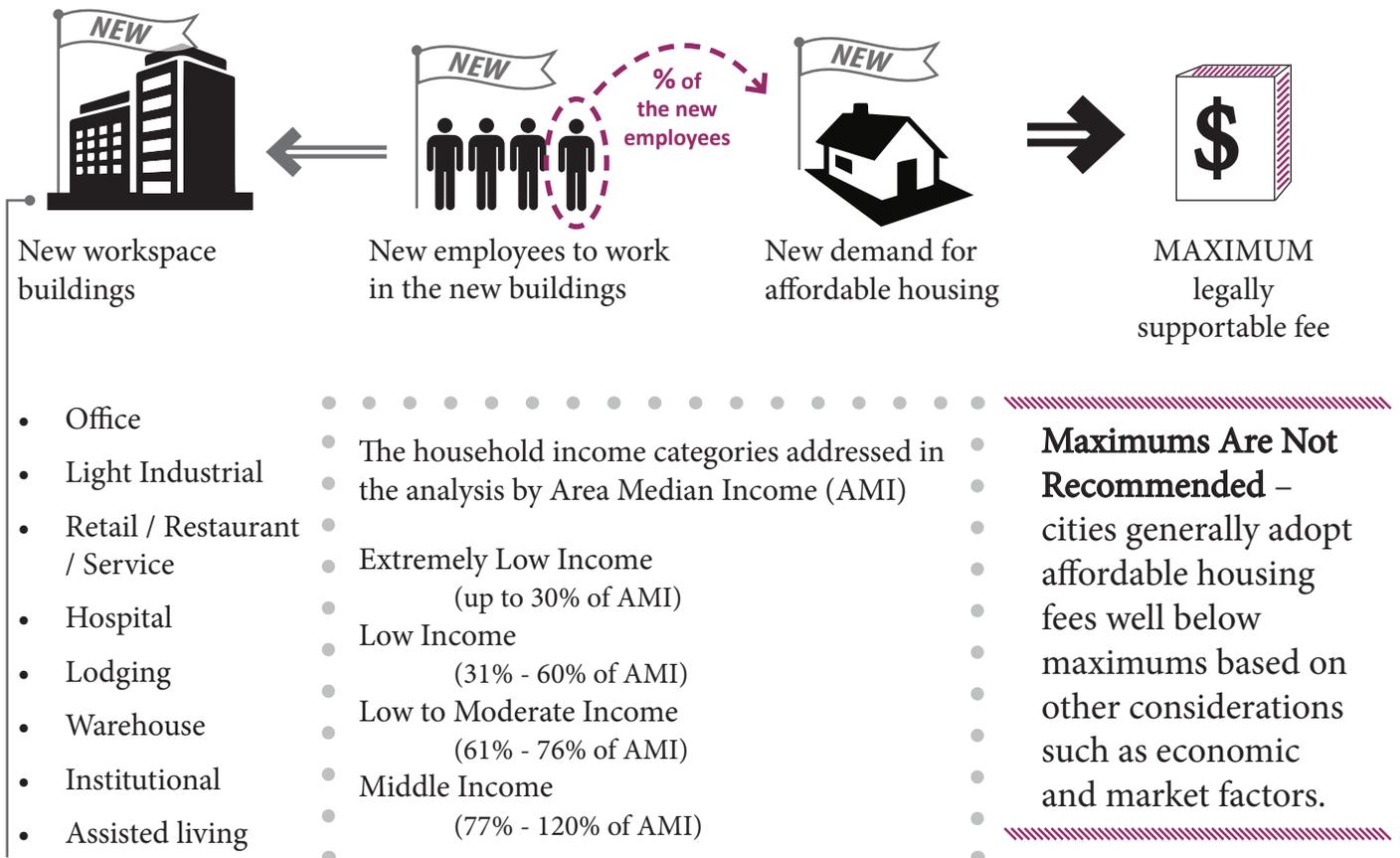
-  **Gather background data** - including and housing and market research.
-  **Update demographic data** - including population and employment numbers based on BVCP projections.
-  **Calculate the fees/taxes** using accepted allocation methodology to determine appropriate fee levels.

Current Housing Funding Resources and Tools

Fund	Source
Affordable Housing Fund	LOCAL/Inclusionary Housing Cash-in-lieu (CIL), General Fund
Community Housing Assistance Program	LOCAL/Property Tax, Housing Excise Tax
Existing Commercial Linkage Fee	LOCAL/ Linkage fee on commercial development
CDBG and HOME Funds	FEDERAL/HUD
Regulatory Tools including <ul style="list-style-type: none"> • Inclusionary Housing, and • Annexation 	

Analysis:

Jobs housing nexus analysis examines the relationship between the construction of new workspace buildings, the resulting impact new workers have on the need for affordable housing and the costs required to mitigate the increased need to house the new workforce



DEVELOP OPTIONS

On June 14, City Council was presented with four options for continued analysis to help us get to a final set of fee scenarios. These options were:

Option 1: Achieve City's 10% Affordable Housing Goal

Option 2: Address the City's Middle Income Goals

Option 3: Maintain Boulder's Current Income Profile

Option 4: Reflect Economic and Market Factors

What are the fee level options?

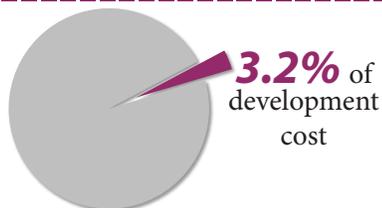
City Council generally supported setting the fee at a level that considers economic and market factors, with three options set at levels of \$10, \$20 and \$35 for office rates.

➔ \$10 for office rates



≈190 units

could be funded over the next 10 years

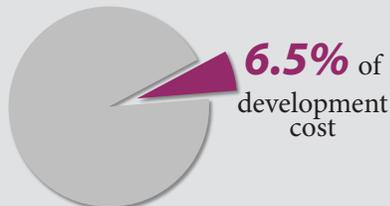


➔ \$20 for office rates



≈350 units

could be funded over the next 10 years



➔ \$35 for office rates



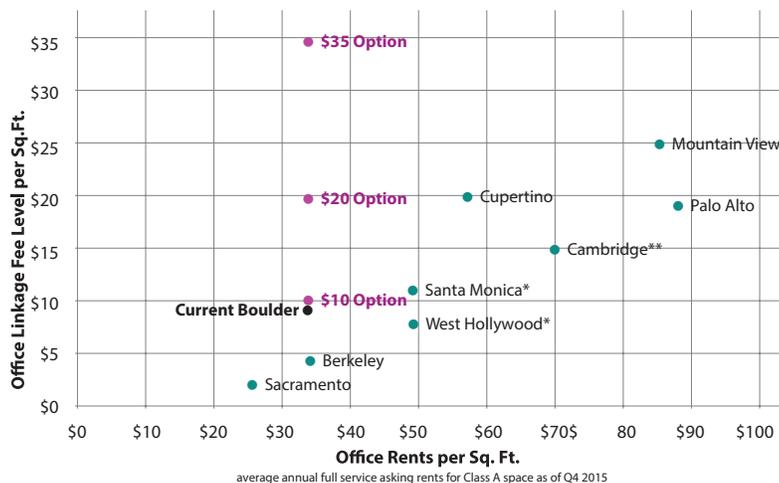
≈600 units

could be funded over the next 10 years



Office Linkage Fees vs. Average Office Rents in Selected Communities

As a way to provide context in terms of the market conditions in each of the communities, this chart shows office linkage fees (the building type that usually has the highest fees) for selected communities in relation to office rents by city. Office rents are an indicator of market strength and key driver of real estate values.



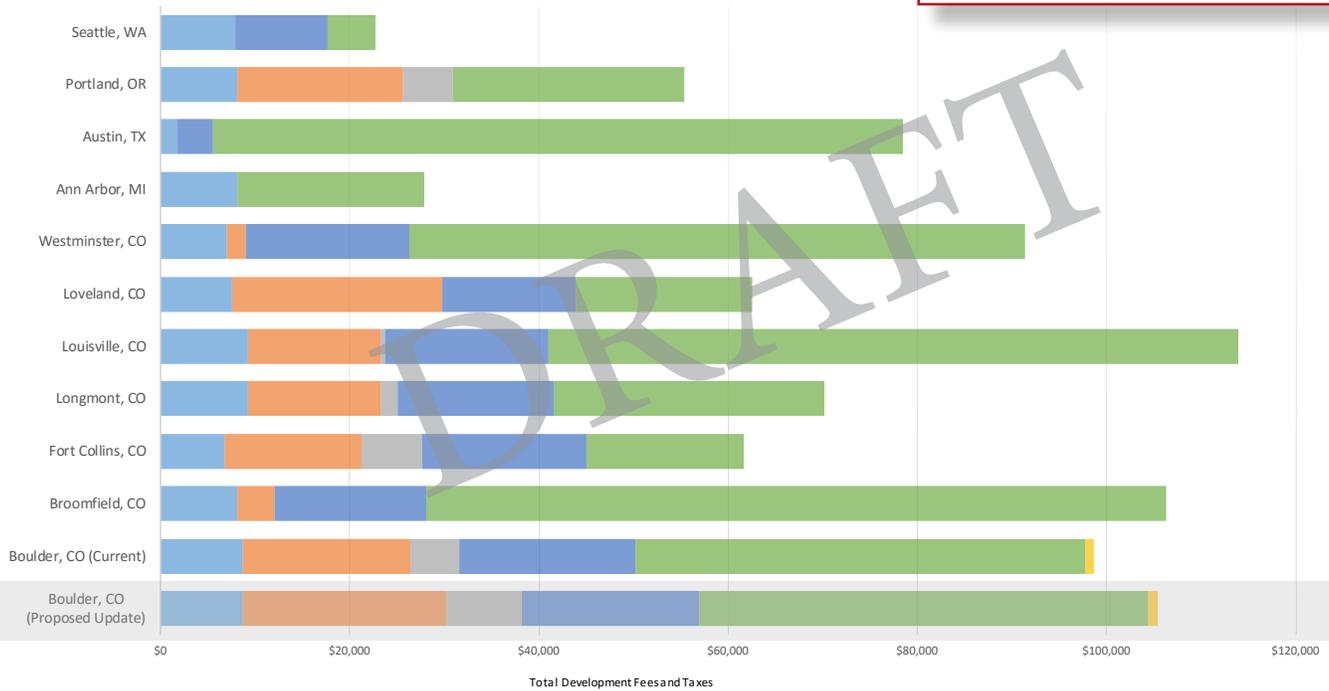
*Office rents are for "West L.A." West Hollywood Fee will increase from \$4 to \$8 in FY 16-17 per staff. Shown in chart at \$8.
 ** Currently \$12, increases to \$15 (+CPI) over next 3 years.
 Sources: Office rents from research reports prepared by Colliers International and Cushman and Wakefield

How Does Boulder Compare?

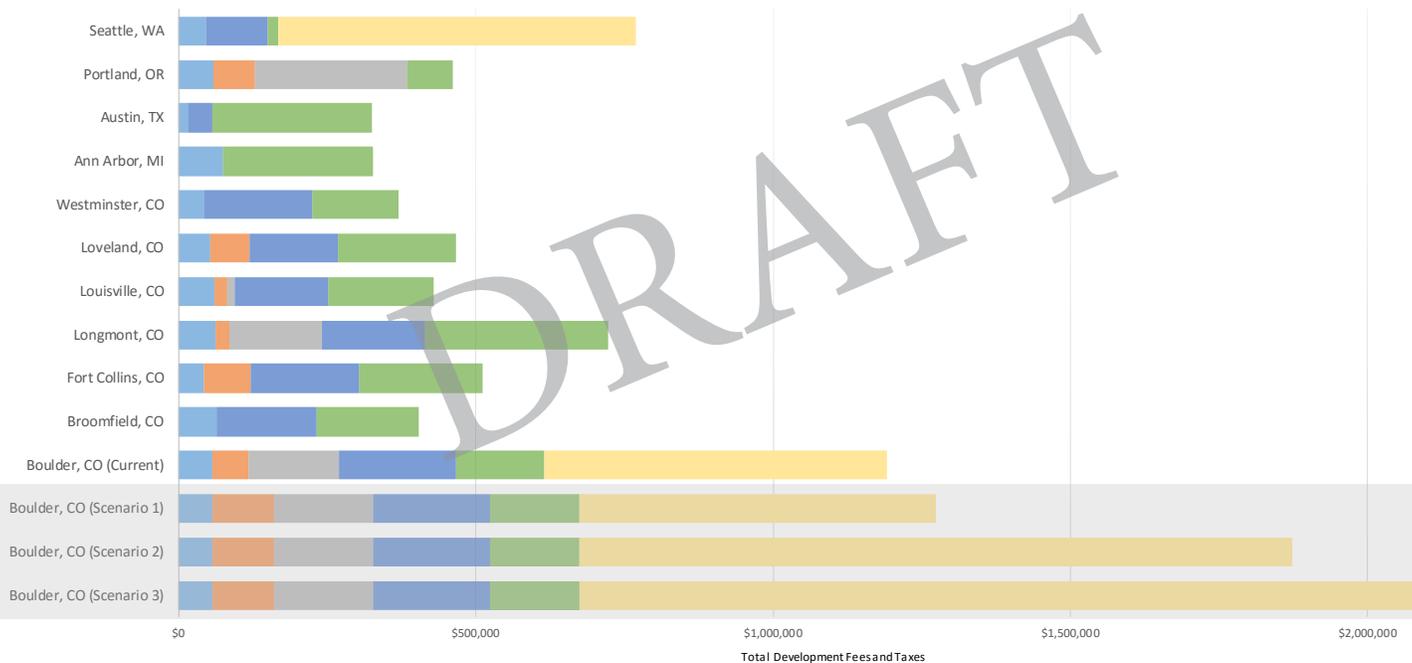
This comparison chart is only a subset of the total development-related fees and taxes paid by a development project to the city. It does not include other one-time costs such as utility tap fees, other permit and tap fees such as fire suppression, or the City of Boulder's inclusionary housing program.



RESIDENTIAL COMPARATIVE ANALYSIS



COMMERCIAL COMPARATIVE ANALYSIS



What might the final scenarios look like?

These are examples of the scenario tables that will be presented to City Council on September 20. These tables show all of the fee changes applied to a hypothetical project.

	RESIDENTIAL		NON-RESIDENTIAL			
	Current	Proposed	Current	Option 1	Option 2	Option 3
Permit Fees	\$ 8,658.85	\$ 8,658.85	\$ 55,869.97	\$ 55,869.97	\$ 55,869.97	\$ 55,869.97
Capital Facility Impact Fees	\$ 15,414.00	\$ 18,561.00	\$ 61,072.62	\$ 104,492.00	\$ 104,492.00	\$ 104,492.00
<i>Percent Change</i>		20%		71%	71%	71%
<i>% of Development Cost</i>	1.3%	1.5%	0.3%	0.6%	0.6%	0.6%
Parks & Recreation Impact Fee	\$ 10,386.00	\$ 12,870.00	n/a	n/a	n/a	n/a
Library Impact Fee	\$ 1,512.00	\$ 2,058.00	n/a	n/a	n/a	n/a
Fire Impact Fee	\$ 1,131.00	\$ 933.00	\$ 36,719.78	\$ 52,517.00	\$ 52,517.00	\$ 52,517.00
Police Impact Fee	\$ 972.00	\$ 1,047.00	\$ 11,666.26	\$ 18,796.00	\$ 18,796.00	\$ 18,796.00
Municipal Facilities Impact Fee	\$ 924.00	\$ 1,257.00	\$ 12,686.58	\$ 33,179.00	\$ 33,179.00	\$ 33,179.00
Human Service Impact Fee	\$ 489.00	\$ 396.00	n/a	n/a	n/a	n/a
Transportation	\$ 7,500.27	\$ 7,992.27	\$ 152,435.68	\$ 167,101.48	\$ 167,101.48	\$ 167,101.48
<i>Percent Change</i>		7%		10%	10%	10%
<i>% of Development Cost</i>	0.6%	0.7%	0.8%	0.9%	0.9%	0.9%
Parkland Excise Tax	\$ 2,440.47	\$ -	n/a	n/a	n/a	n/a
Transportation Excise Tax	\$ 5,059.80	\$ 7,500.27	\$ 152,435.68	\$ 152,435.68	\$ 152,435.68	\$ 152,435.68
Transportation Impact Fee	n/a	\$ 492.00	n/a	\$ 14,665.80	\$ 14,665.80	\$ 14,665.80
Affordable Housing	\$ 912.00	\$ 912.00	\$ 576,293.00	\$ 599,908.00	\$ 1,199,816.00	\$ 2,104,054.00
<i>Percent Change</i>		0%		4%	108%	265%
<i>% of Development Cost</i>	0.1%	0.1%	3.1%	3.2%	6.5%	11.4%
Housing Excise Tax	\$ 912.00	\$ 912.00	n/a	n/a	n/a	n/a
Affordable Housing Linkage Fee	n/a	n/a	\$ 576,293.00	\$ 599,908.00	\$ 1,199,816.00	\$ 2,104,054.00
Plant Investment Fees	\$ 47,549.00	\$ 47,549.00	\$ 63,791.00	\$ 63,791.00	\$ 63,791.00	\$ 63,791.00
Sales & Use Tax	\$ 18,718.00	\$ 18,718.00	\$ 196,487.00	\$ 196,487.00	\$ 196,487.00	\$ 196,487.00
Total Permitting and Development Fees/Taxes	\$ 98,752.12	\$ 102,391.12	\$ 1,105,949.27	\$ 1,187,649.45	\$ 1,787,557.45	\$ 2,691,795.45
<i>Percent Change</i>		4%		7%	62%	143%
\$/Gross Square Foot	\$ 24.91	\$ 25.82	\$ 17.99	\$ 19.32	\$ 29.08	\$ 43.79
Net Increase/Sq. Ft.		\$ 0.92		\$ 1.33	\$ 11.09	\$ 25.80
Total Development Cost Estimate	\$ 1,200,000	\$ 1,200,000	\$ 18,500,000	\$ 18,500,000	\$ 18,500,000	\$ 18,500,000
<i>Total as % of Development Cost</i>	8.2%	8.5%	6.0%	6.4%	9.7%	14.6%
Estimated Market Changes Sufficient to Absorb Increased Fees (based on KMA analysis)						
Change in Land Values (@-1.4% for Res, -2% for Non-Res for each \$1/SF Fee Increase)	0.0%	-1.3%	0.0%	-2.7%	-22.2%	-51.6%
Change in Commercial Market Rents (@+0.3% for each \$1/SF Increase)	n/a	n/a	n/a	0.4%	3.3%	7.7%

*Note: Total permitting and development fees/taxes numbers still subject to change.

\$2,500,000

\$3,000,000

Economic Impact Analysis

Economic Impact Analysis (EIA) is a process to evaluate the economic impact of an industry on a defined geographic location.

Direct Impacts

Indirect Impacts

Induced Impacts

The overall economic benefit to the local economy based on job growth, wages and goods and services purchased and the multiplier effects as the dollars circulate in the community.

10-year residential and nonresidential development is projected to generate the following annual economic impacts:

- \$678 Million in Labor Income
- \$1 Billion in private sector value
- \$1.8 Billion in annual economic output

Annual temporary construction economic impacts:

- \$84 Million in Labor Income
- \$118 Million in private sector value
- \$239 Million in annual economic output

Next Steps:

September 20, 2016 - Matters from the City Manager

On Sept. 20, staff will be: seeking final direction on Capital Facility Impact Fees and Transportation Fee/Taxes, discussing the Housing Linkage Fee to get input from Council on what next steps/additional analysis is desired, and discussing housing subsidy/credits.

Based on the feedback from city council, staff will be preparing an ordinance for the Capital Facility Impact fees and Transportation Impact fees/taxes changes that includes a phase in schedule for 2017. A Public Hearing for this ordinance is tentatively scheduled for Nov. 15.

How you can stay informed and involved?

Speak at the council meeting on September 20:

Open comment is held at the beginning of City Council meetings and provides an opportunity for speakers to address any issue(s) not scheduled for a public hearing.

Check the Project Website:

<https://bouldercolorado.gov/plan-develop/development-impact-fees-excise-taxes>

Review the final reports

Contact Project Staff

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